

Remarks of President Barack Obama
Small Business Event
Wednesday, October 19, 2009
Landon, Maryland

Good morning. Thank you, Joe, for that introduction, and for inviting us here to Metropolitan Archives. Five years ago, this company was founded by Joe and his old fraternity brother Doug Peters – two friends who have known each other since middle school. Today, their families took this company from an empty warehouse to a small business that stores and delivers records for some of the largest firms in the world.

The story of their success has been the story of small business owners across America – men and women from big cities and small towns who’ve had both a good idea and the drive to follow through on it; who’ve convinced family and friends to join them in taking a chance on a dream.

These entrepreneurial pioneers embody the spirit of possibility, the tireless work ethic, and the simple hope for something better that lies at the heart of the American ideal. And they have always formed the backbone of the American economy. They’re the ones who’ve opened the mom-and-pop stores and started the computer tinkering that has led to some of the biggest innovations and corporations in the world. After all, Hewlett Packard began in a garage. Google began as a research project. And McDonalds started with just one restaurant.

Over the past decade and a half, America’s small businesses have created 65% of all new jobs in this country. And more than half of all working Americans working in the private sector are either employed by a small business or own one – more than half. These companies are the engine of job growth in America. They fuel our prosperity. And that is why they must be at the forefront of our recovery.

The problem is, our small businesses have been some of the hardest hit by this recession. From the middle of 2007 through the end of 2008, small businesses lost 2.4 million jobs. And because banks shrunk from lending in the midst of the financial crisis, it has been difficult for entrepreneurs to take out the loans they need to start a business. For those who do own a small business, it’s been difficult to finance inventories, make payrolls, or expand if things are going well.

That’s why we made sure the Recovery Act focused on helping small businesses expand and create jobs. In it, we temporarily reduced or eliminated fees on SBA loans – loans that give small businesses more money to reinvest in their own futures. And we guaranteed some of these loans by up to 90 percent, which has given local banks and credit unions the confidence they need to lend.

In the last eight months, these steps have made a real difference for small businesses across America. So far, the Recovery Act has supported over 33,000 loans to small businesses that

have already helped save or create nearly tens of thousands of jobs – nearly \$13 billion in new lending. More than 1,200 banks and credit unions that had stopped issuing SBA loans when the financial crisis hit are lending again today. And more than \$4.3 billion in federal contracts is now going to small businesses.

We're also providing tax relief to small businesses under the Recovery Act – relief that will give these businesses back over \$5 billion this year. And we're giving tax cuts directly to 95% of working Americans, which includes the vast majority of small business owners and their employees.

So, there is no question that our Recovery Act has given a boost to every American who works at a small business, owns one, or aspires to own. There's no question that the steps we've taken have improved the overall climate for small businesses across the country.

But there's also no question that we have a long way to go. There is still too little credit flowing to our small businesses. There are still too many entrepreneurs who can't get the loan they need to open their doors and start hiring. There are still too many who are struggling to make payroll and stay open. And there are still too many successful small businesses that want to expand further and hire more but just don't have the capital to do it.

Metropolitan Archives is one of these companies. Last February, Joe and Doug were able to purchase the building we're standing in with an SBA loan – an expansion that has already helped them retain ten jobs, and one that will create ten new ones in the months ahead. In fact, business is going so well that they're already hoping to expand again. But they need another loan to make it happen.

These are the kind of stories I hear from small business owners all the time. They're the kind my outstanding SBA Administrator, Karen Mills, hears all the time. And that's why today, we're announcing new steps to support more lending to America's small businesses – steps that will lead to more jobs, more growth, and a stronger economic recovery.

The first thing we need to do is increase the maximum size of various SBA loans. So I am calling on Congress to increase the cap on what's called 7(a) loans to \$5 million. These are the loans most frequently handed out by the Small Business Administration to help folks open their doors and buy machinery, equipment, land and buildings. These larger loans will help more small business owners and franchisees grow. We also need to increase the maximum size of what's called 504 loans to \$5 million. These are the type of loans that Joe and Doug used to expand this business and create new jobs. And we should also increase the maximum size of microloans that go to start-ups and other smaller businesses.

Today, we're also taking additional steps to boost credit for small businesses through our Financial Stability plan. The major banks that were in critical condition a year ago need no new assistance from the government, and so we are winding down that portion of the TARP program. But to spur lending to small businesses, it's essential that we make more credit available to the smaller banks and community financial institutions that these businesses depend on. These are the community banks who know their borrowers; who gave them their first loan; who have

watched them grow from down the street – not from Wall Street. The large majority of the business loans from these smaller banks are not to major corporations – they are to entrepreneurs like Joe and Doug. When banks like these are hit by recession and financial crisis, creditworthy small businesses lose out, and that means less expansion and fewer new jobs just when we need them most.

That's why we must do more to give these smaller banks new opportunities to access capital – so that they can lend to small businesses in their communities. Under the new steps we're announcing today, if these institutions put forth a plan to increase lending to small businesses, we will help them get the capital they need to do it at rates that are more affordable than the ones offered to our largest financial institutions. And we will make capital even more affordable to the community development financial institutions that focus on providing credit to America's small businesses in our hardest hit rural and underserved communities.

Finally, I've asked Tim Geithner and Karen Mills to convene a conference in the coming weeks that will bring together regulators, Congressional leaders, lenders and small businesses to determine what additional steps we can take to get credit flowing to small businesses that want to expand and create more jobs. Of all the steps we're taking to move this economy from recession to recovery, I continue to believe that the success of our small businesses will be a foundation upon which our future prosperity is built. So we will continue to do whatever we can to help these businesses grow and thrive. And I am confident that the steps we announced today will do just that for small business owners across the country – men and women we hear from every day.

They're people like Andy Cabral. The son of Portuguese immigrants, Andy started his business on an SBA loan and now runs 10 stores across Maryland and Virginia that employ 130 people. Andy has already seen one loan fall through the cracks because of the financial crisis and he has hit the cap on his SBA loans. But the measure we're announcing today will help Andy and other franchisees pursue their plans to expand and create more jobs.

These steps will make a difference for more small businesses like Pete's Apizza in Washington, DC. When the three owners had little more than a dream of opening up a casual pizza restaurant, they found it challenging to get financing. But ultimately they got a loan through City First Bank, a community development bank right in Washington. Today, business is booming. And the initiative we're announcing today will help more banks provide more loans to businesses like Pete's.

And the steps we've announced will make a difference for Joe, Doug, and all the folks who work here at Metropolitan Archives. In the past five years, you've done all that's asked of Americans who hope to pursue the dream of owning their own business – you've taken a risk on a good idea; you've worked hard for your success; and you've met your responsibilities to your employees and your customers. It's time that responsibility and that success are rewarded with the opportunity to keep growing, keep hiring, and keep contributing to the success of your communities and your country. That's the opportunity we're providing today, and that's the opportunity I will continue fighting for as your President in the weeks and months ahead. Thank you.